

Committee on Resources

Witness Statement

**Statement of
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Submitted to
The U.S. House of Representatives
Committee on Resources
Washington, D.C.
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Mr. Chairman and members of the Committee:

I appreciate the opportunity to offer my assessment on the national security implications of restricting domestic exploration and development of our oil and natural gas resources and to discuss the opportunities we might have to limit our dependence on foreign sources of energy.

When I appeared before the Conference Committee in 1995 we were working on a program to help solve the same problem we face today: the diminishing supply of domestic oil and gas. At that time, the Committee will recall, we were working on the Royalty Relief Act which was, of course, successfully passed into law.

At that time foreign imports stood at about 50%. Today foreign imports are 57% and the Energy Information Administration projects that by 2020 imports will reach 70%. We are presently witnessing some of the results of that dependency; OPEC can successfully manipulate the price of oil (and the gasoline at the pump) at will. The American public and members of Congress on both sides of the aisle have declared this to be "outrageous." Add to this OPEC threat even more sinister possibilities. When one considers the difficult neighborhoods in which so much of today's oil is produced: West Africa, the Caspian Sea, Kazakhstan area, Venezuela, the Middle East, Indonesia, etc., areas that have been and continue to be subject to revolution, civil war, religious strife, and other indications of instability, all of which threaten the security of these sources of supply. If gasoline prices are "outrageous" and if our National security is, in fact, threatened then the question before this Committee is, "Can the Congress do anything about increasing domestic supply?"

Mr. Chairman, I would suggest three immediate and practical actions which the Congress could take which would necessarily enhance our domestic petroleum supply.

These are: 1) to allow drilling in ANWR, 2) to allow exploration and production from the Destin Dome areas off of the Florida Panhandle, and 3) to extend the Royalty Relief Act.

ANWR

According to the USGS, the Alaskan Coastal Plain has great potential for helping this country become less reliant on imported oil. The entire area is estimated to contain oil in place of 11.6 to 31.5 billion barrels. Of

this, about 6 to 16 billion barrels, or about half, is estimated to be technically recoverable, which would be equivalent to more than 30 years of imports from Saudi Arabia today. This is based on today's technology, of course. With new technology, the share should be higher. And there should be significant amounts of natural gas as well. Simply stated, ANWR production alone would reverse the decline in U.S. production.

The attached chart (Chart # 1) shows the potential for ANWR on U.S. petroleum supplies.

Drilling pads, roads, airstrips and other facilities are constructed from ice that will melt when the warmer months arrive, leaving little evidence of man's presence. Special care is taken to prevent leaks in gathering and flow lines through the use of plastic pipe liners and even specially trained dogs to detect leaks early. To carry equipment across the tundra, operators use all-terrain vehicles with large, low-pressure tires that leave no tracks.

New technology reduces the time needed to drill a well, the number of rigs needed to extract oil from a field and the surface area affected by each well, radically decreasing the chances of any harm to the environment. The equipment used is much smaller and lighter, allowing operators to accomplish as much while leaving a smaller footprint.

New technology also allows companies to use fewer wells to achieve the same production capacity as 15 years ago. Companies can thus reduce the number of wells drilled per field and cut back on potential for environmental harm. In addition, new modular drilling technologies allow operators to use rigs that are a quarter of the size and weight of a standard rig and cut the time needed to drill a well, reducing the impact on surface environments.

Directional drilling allows companies to extract oil and gas from environmentally fragile areas. Horizontal drilling also means fewer wells and lower waste volumes. Oil rigs are manufactured from lighter, stronger material. They requires less fuel for transporting and operation and have less surface impacts than conventional rigs.

Mr. Chairman, there are no commercial fisheries and virtually no sport fishing in the Alaskan Coastal Plain. For those who compare this area to Serengeti, I would only urge that they make a trip there to see for themselves. For those who are concerned about the Porcupine Caribou herd, I would urge that they look next door to Prudhoe Bay where the Caribou herd has increased many times over, since exploration and production commenced.

Over a billion pounds of commercial seafood is produced off Louisiana's Coast where over 50 years of drilling and hundreds of production platforms have produced no harm to the marine environment. I submit that Americans energy supply could be greatly enhanced by the recovery of ANWR oil and without any danger to the environment.

Destin Dome

According to the Department of Energy, the Destin Dome formation contains at least 2.6 trillion cubic feet of natural gas, one of the largest gas fields in the Gulf of Mexico. This gas is "dry" and is not produced in association with oil. In other words, the threat of an oil spill is virtually zero. In February of 1998, Florida rejected Chevron's drilling plan for this area. Briefs are presently filed with the Department of Commerce and Secretary Daley will have 90 days to rule which means a ruling will probably be handed down by early August.

The Destin Dome dispute also might preview additional drilling disputes. The Federal Government plans to lease parts of the Gulf of Mexico 100 miles and more off Florida for oil and gas exploration starting in 2002.

The Federal moratorium prohibits any drilling nearer Florida coast. Secretary Daley has the power to override Florida if he finds Chevron's development is consistent with the Federal Coastal Zone Management Act, or if he finds that Chevron's drilling plans necessarily lessen the Nation's reliance on foreign energy supplies.

Florida contends that these drilling operations pose a threat to polluting fish habitat, plants and animals, marine mammals, birds and beaches.

This being an election year it takes little imagination to guess what the Secretary's decision will be.

Though the drilling would take place off Florida, the gas would be piped to Mobile and the support activities would be based in Alabama.

Natural gas is said to be one of the principal solutions to Americas air pollution problem. Virtually all of the new electricity generation in this country comes from combined cycle natural gas turbine. The Department of Energy projects that consumption of natural gas in this country will increase from about 21 T.C.F. To 30 T.C.F. By 2010.

I submit that Florida's fear of this drilling is based upon imaginary non-existent dangers. But the need to have access to these supplies of natural gas in order to deal with Americas air pollution problem is not an imaginary challenge.

Royalty Relief

Mr. Chairman, the Deep Water Royalty Relief bill passed before this Committee and Congress in 1995, was one of the most successful bills ever passed for developing domestic energy resources. The attached charts (Charts #2 & #3) demonstrate the obvious connection between the bill's passage and the sharp increase in oil and gas production. I well recall the debates before this Committee about whether the Minerals Management Service estimates of increased production attributable to passage of the Act would actually materialize. As the Committee knows, those estimates were far exceeded.

Mr. Chairman, I am fortunate to have an in-depth article by Andrew Derman of Thompson and Knight law firm which was just completed, but not yet published. I have the permission of Mr. Derman to use it which I attach and adopt as my own. It makes a very strong case for renewal of the Royalty Relief Act.

Mr. Chairman, I also attach hereto statements from Unocal Corporation and (Occidental Petroleum Corporation) which support the proposition that the Royalty Relief Act has in fact been an important incentive in procuring additional drilling and exploration in the Gulf.

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